

## Commission on Housing Affordability

### Minutes for July 13, 2021

In person/Electronic Webinar (via Zoom)

#### Members Present

Senator Jacob Anderegg  
Representative Joel Briscoe  
Representative Steve Waldrip  
Andrew Johnston  
Beth Holbrook  
Chris Gamvroulas  
Dave Damschen  
Jacey Skinner  
Janice Kimball  
Jeff Jones  
Michele Weaver  
Mike Akerlow  
Mike Gallegos  
Tammy Hunsaker

#### Representing

Senator  
Representative  
Representative  
Salt Lake City Council  
UTA  
Utah Homebuilders Association  
Utah Housing Corporation  
Salt Lak Chamber  
Housing Connect  
Summit County Economic Development  
Rural Community Assistance Corporation  
Community Development Corporation of Utah  
Salt Lake County  
Utah Redevelopment Association

#### Absent Members

Ben Hart  
Chris Condie  
Mike Ostermiller

#### Staff Present

Nathan McDonald	Deputy Director, DWS
Christina Oliver	Director, HCD
Jess Peterson	HCD
Holly Taing	HCD
Keith Heaton	HCD
David Fields	HCD

#### **Welcome and Introductions**

The Commission on Housing Affordability Board meeting was held in person and electronically via Zoom on: **July 13, 2021. Sen. Anderegg called to order at 2:13pm.**

**Public Comments:** (see attached public comment by Steve Erickson)

**Approval of Minutes:** June 8, 2021

Motion to approve minutes by Mike Gallegos. Motion passes.

**Senator Anderegg:** (see attached ULCT Priorities)

Let's start with the first item on the agenda, the Commission Discussion on the ULCT/Land Use priorities with Cameron Diehl, the time is yours.

**Cameron Diehl:** Thank you Mr. Chair, I'm the Executive Director of the Utah League of Cities and Towns and my objective is to give you an update on the discussions that are currently occurring within the land use task force and one of my partners with the land use task force is Chris Gamvroulas and Mike Ostermiller. The land use task force has met several times over the spring and we bring together those with the development community and the property rights coalition as well as city and county attorneys, managers and elected officials to tackle challenging land use issues, this year the primary focus for the land use task force has been in a space of housing affordability and affordable housing. There are 3 general buckets that we prioritized in our June meeting, the first is Inclusionary zoning and my main message for you regarding this is local governments and the property rights coalition want to find the win win policy solution on inclusionary zoning and doesn't do anyone any good to enact a policy that doesn't result in any units for low to moderate income Utahans, the second bucket is in the economic development space, the unified economic opportunity commission consists of the Governor, the director of the governor's office, the president of the senate, the speaker of the house and other state and local government leaders and business leaders, the objective of this big picture is a 10 year strategic plan for the state of Utah and the local and state incentives fit into that, here are a few high level ideas, looking at tax increment financing, the existing tools with TIF, such as RDA's and CRA's and how affordable housing is funded through those tax increment tools, and the third general bucket is moderate income housing plan and you'll hear later on the presentation about the number of new housing units are in the state, last year we had a record number of new housing units that local governments permitted and we're ahead of that pace this year, regarding SB34 on one hand you say the emphasis from a state level and this integration of state transportation dollars for local planning, is that resulting in more housing units on the ground, on the other hand maybe SB34 needs to be expanded whether that's looking at additional menu items or looking at other sources of state funding, and those are the other pieces we are looking at, for example the state set aside 50 million ARPA dollars as a local match for local governments for infrastructure projects and some would say we need more sticks attached to SB34 and lets continue to double down on the incentive approach because we do believe that incentive model has worked, is working and can work even better, those are the 3 big buckets that we prioritized in June out of nearly 50 items between the league and the PRC.

**Rep. Steve Waldrip:** I know that there was an article in the Tribune regarding enforcement of zoning laws relative to short term housing needs vs. the cities and municipalities ability to enforce restrictions on overnight rentals, which are in effect taking units out of long term rental pools and putting them in short term rental pools, has that been a point of discussion within the league?

**Cameron Diehl:** Yes, that is of immense concern to many municipalities, particularly municipalities that are gateway communities or who face some unique pressures due to their location, we believe that data needs to drive these policy discussions and we've reached out to some housing experts in the state to collect data about short term rentals in the state to get an understanding of what the impact has been

on the long term housing market of the explosion of short term rentals and what policies leavers we ought to pull, the examples in that article are examples we heard from our members around the state and we've put out an RFP to try and gather information about the impact of short term rentals.

**Rep. Joel Briscoe:** I read through the memo that you sent to us from the ULCT and one way of reading it is that the 25 items are a brainstorm list that was put together by mayors, city council members, and staff and it's not prioritized and has not been approved as official policy of ULCT by your governing bodies, is that how I should be reading this?

**Cameron Diehl:** The way you should read it is exactly that, it was a brainstorm where we soliciting for months, ideas from our members across the state, we did not prioritize 1-25, these are the 25 ideas and property rights coalition came up with their list as well but not sure how they prioritized internally, our goal was to put everything on the table that could potentially improve the ability of local governments to plan for population growth and address the housing challenge and that's what we did.

**Rep. Joel Briscoe:** Thank you, that's very helpful.

**Senator Anderegg:** Thank you Cameron, we really appreciate your efforts on this and I'd really like to see if we can't coalesce around those ideas that we can get to some areas of common agreement between now and November, so #1, can we do that in negotiations and #2, let's say we come up with 4 items and you're operating in good faith but you're still not the deciding body, the deciding body is your executive board so getting approval, what's that process look like for you or the likely hood of it?

**Cameron Diehl:** The league represents municipalities and the board of directors includes 21 mayors and council members and representation from the city management association around the state, to piggy back on Rep. Briscoe's question, they did approve the list and then we submit it and so they were comfortable with us negotiating in this space, now we do have a sand box as negotiators and we've worked on many bills through the years but there are certain items where our members feel like they don't actually move the needle to address housing affordability, improve the stock on affordable housing or plan for growth in a sustainable way, those are areas that our members would not be able to support, at this point the good faith of negotiating between and not just the property rights coalition but the progress coalition, legislators, economic opportunity commission, everyone recognizes that right now Utah is at a crossroads and how we grow over the next few years is going to have generational impact and everyone wants to get it right and as negotiations continue, my team and I will be taking the concepts back to the elected officials to ensure they are involved in that decision.

**Senator Anderegg:** Let's imagine that we're able to get coalesced around some ideas to present to your board in November, how does your process work as far as length of time for getting a nod for all the items or some of the items, that can happen relatively quickly, cant it?

**Cameron Diehl:** The board will meet in August and we have a policy committee, so we have the 21 board members and the policy committee of about 100 city officials around the state, both of the

groups will be heavily involved in providing feedback as our negotiating teams in those different commissions continue to proceed, to answer your question on timing, there will be multiple steps between now and January for that dialogue with the lead board and policy committee.

**Senator Anderegg:** Excellent, thank you for your time. Let's move on to the presentation about the programs associated around Utah Housing Corp with Dave Damschen, CEO of UHC, the time is yours.

**Dave Damschen:** (see attached UHC presentation)

Thank you, I have our chief officer Jonathan Hanks with me today as well Susan VanArsdale, the head of our housing development group and Claudia O'Grady who is the head of our multi-family finance group. I'd like to start on a high level and talk about who we are and what we do on a board scale of who we serve and what our focus is as an organization. We finance multi-family housing developments which provide below market rate rents for low and moderate income families, as well with some of the federal low income housing tax credits that we administer are able to facilitate financing of permanent supportive housing for the chronically homeless as well, and a key to the programs we offer is down payment assistance which we offer in conjunction with the first mortgage, which we fund off the corporations balance sheet, provide essential support of Utah families and the Utah economy. The multi-family development finance and very importantly, all states have a housing finance agency which serves as the states allocator of federal low-income housing tax credits and Utah housing corp. is Utah's allocator, the federal LIHTC are competitive and limited and are allocated base on population, UHC has made a huge commitment to funding permanent supportive housing. Referring to the slide is an example of the impact on 9% tax credits on the economics of a project, a conventional and affordable project is the same on total development costs and with equity, debt and monthly debt services, the per unit share of monthly debt service is \$1,151 conventional and \$386 for affordable, so this is why 9% projects can pencil with much lower rent levels and well below market, the next slide is the debt to equity breakdown of projects done, both under 9% tax credits as well 4% tax credits compared with a conventional structure.

**Senator Anderegg:** The question I have is, and I work for a bank and I know that we won't lend more than 70% LTB's, how likely is your 20% equity position on a conventional, it's hard to get above that 70% on a conventional?

**Dave Damschen:** This goes without saying, this is just for comparative purposes, I don't know the market for conventional real-estate at this moment.

**Mike Akerlow:** A question on the 4%, the 4% have typically been used for a higher AMI usually around 60% because of the higher debt requirement, Bill Tibbets asked a question through the Q&A whether the 4\$ can be used along with ARPA funds to address homelessness, are 4% really a tool for deeply affordable or is it really just the 9%?

**Dave Damschen:** The 4% is really is not for the lowest income, that's what the 9% credit is for, the 4% credit must be used in conjunction with tax exempt bonds which is typically why you have a 60% AMI requirement because the debt services are higher for the 4% tax credits.

**Mike Akerlow:** If any of those ARPA funds came in, could they be used as any of that debt that might be deferred or forgiven and if that were to happen, could the rents be lowered?

**Claudia O'Grady:** Those 4% credits could in fact be used with the ARPA funds, as long as there is a rent subsidy to support that rental difference, so you could still have a very low income person living in that unit and qualifying for that unit can use the benefit of that 4% and use the ARPA funds but needs to have that project based rental assistance in order to essentially write down the rent.

**Mike Akerlow:** That makes sense, thank you.

**Dave Damschen:** The next slide shows the history of how those 9% federal tax credits have grown over time and are based on population, you'll notice the orange bar at the top of 2021 which was a special disaster relief related allocation of tax credits that were made to Utah and other states of 5.3 million was Utah's allocation and was related to the earth quake that we had last year. The next slide to kind of give you a feel of the value over time in Utah, is the total number of projects that have had a low-income housing tax credit component in their financing is 576, the total investment of private investor as well as subsidy value is over 3.6 billion for 1987-2020 and the number of units created under LIHTC is just over 33k.

**Tammy Hunsaker:** I had a question on tax credit pricing trends, about 5 years ago tax credits go about a \$1.20 and projects I've been working on recently are down to about .95 cents on the dollar, do you anticipate a continuing of decreasing of the pricing?

**Dave Damschen:** I think it's fair to say that, that change is attributed primarily to the tax cuts in jobs act of 2017 and I think that expectations for significant future changes are tied to any similarly significant changes to the federal tax structure.

**Claudia O'Grady:** That is correct but there is one other factor that depressed credit pricing which was the change that allowed the 4% credit rate to be fixed at 4%, that created a glut of credits in to the market which depressed pricing somewhat and I think once that stabilizes a little more, we will see a small bump in pricing again.

**Tammy Hunsaker:** Just even a 10% decrease can increase a projects gap by about a million dollars.

**Dave Damschen:** Along with the multi-family activities and a huge part of our business is acquiring first mortgages originated by Utah mortgage banks with multiple programs that we offer and one of our main advantage we offer is providing a down payment assistance in the form of a second mortgage and service the loans we buy, a quick reading of our production and on the impact on the single family

finance end of things, in 2020 we purchased just over 4,600 loans and totaling over 1.2 billion dollars and since inception we've purchased over 101 thousand loans and totaling 12.9 billion dollars. In terms of servicing our total portfolio stands at just over 16 thousand loans that we service which is broken down by category and I will pass the time over to Jonathan.

**Jonathan Hanks:** (see attached UHC presentation)

We have a small group at Utah Housing that are doing great things, we do a lot of structure financing of projects in conjunction with typically housing partners that are located in rural parts of the state, we have a housing development lending facility which internally we work with our housing partners as well as doing some projects on our own, on this next slide is our crown program which is a unique program that we've been doing now for about 30 years and utilizing the low income tax credits in a rent to own fashion, we have a fairly small amount of tax credits available each year, they come through the 9% and our housing development group applies for those credits and we've developed 23 partnerships with housing partners, completed 73 projects and completed 415 homes as well sold 210 homes. We have community funds which generated 6.2million and to date we've done 41 community fund grants over 5million dollars, creating an additional 229 affordable housing units and expect another 4.2 million coming from that program in the next 5 years which in turn will be used to leverage additional affordable housing in those communities where the crown homes were initially built and sold.

**Senator Anderegg:** If there's anything that you need or could benefit from, from either this commission or changes in statute or appropriations, what do you need from us to help facilitate even more?

**Dave Damschen:** I don't have anything today but we are discussing a few things, some of which could benefit from legislative action.

**Senator Anderegg:** I put that out there as an offer to say, to come us and let's see what we can do to help move the ball along, I would like to thank you for your time, we appreciate it.

We will move on to the next item on the agenda which is the Ivory Boyer Q1 2021 construction report with Dejan Eskic, the time is yours.

**Dejan Eskic:** (see attached Construction Update)

I was asked to give a quick update on the construction status of our market throughout the states, I would like to start first with a little bit of the historic overview of construction activity on a national level, we feel the pressure and the housing boom in our state, if you look at the chart and see that orange line that's there at about 1.6 million housing starts nationally, over the last 50 years we've had different demographic trends and tax policies that incentivize housing construction, esp during the 80's we've had the tax law boom savings and loans and we've had a lot of construction activity, after this last financial crisis caused by the subprime boom, we have not had a great housing recovery nationally. At a national level you see there are pockets of activity of development but overall we have not broken out. How does Utah compare to this national trend, prior to 2010 we have stayed more or less in a parallel trend to the nation, moving to the Utah's housing gap slide, you can see the black bars were significantly below the red bars so we've had housing units be developed than households form, we didn't stop

growing during the recession, so that causes us to go into a housing shortage which is shown on the graph in the grey line and we've picked up housing units over the last couple years and we've put the housing shortage at an estimate of 44 thousand which is reflected in our low vacancy rate in the rental market but overall every entry point to the housing market is squeezed and looking towards to the next decade, in order for us to make up this demand and to account for the new demand that's coming, we probably need to stay at above 30 thousand units. What are we building? You can see prior to 2010 we were a strong single-family market and in 2015 we started to really bridge closer to a 50/50 split but we have seen a little bit of an increase as a result of COVID the preferences have changed some towards single-family but we are a strong development of apartments and town homes, about 72% of all residential construction activity occurs on the for Wasatch front county adding Washington county down south makes it at 85% and as far as what we are building, we break it out by single-family and multifamily, a 3<sup>rd</sup> is in Utah county followed by Washington county, then Salt Lake county, Davis and Weber. Utah's months of existing supply of inventory which is going back to year 2000, you can see there during the great recession we've had over a year worth of supply and where we are now we have less than 1 month, so if we stopped putting new homes for sale on the market, we'd sell out of everything in less than a month and because the existing supply is so tight, we've seen part of that demand shift over to construction and create even more demand on that. To that question of affordability, this slide is looking at the median home price and what share of households could afford a median priced home, we have that pre-covid line in blue and were at about just over 40% of Utahan households were priced out of the housing market, where as of today we've crossed that 50% threshold. To wrap it up, supply has improved but headwinds persist, we still have a major housing shortage, material issues, and labor issues, housing affordability continues to decrease for more and more people in Utah.

**Mike Gallegos:** How far into this period of time since the great recession and has it still impacted the price of housing?

**Dejan Eskic:** The shortage, I would say in 2013 is when it really took off, it's when we had our foreclosure crisis workout and since then, we've really taken off.

**Senator Anderegg:** Thank you Dejan for your presentation, and moving on to the Discussion on Inclusionary Zoning with Wilf sommerkorn, the time is yours.

**Wilf Sommerkorn:** I'd like to share some information with you, I've been asked to give you a short briefing on what inclusionary zoning is and how it works, through my work over the many years, I was engaged in land use planning and familiar with it and know what some of the parameters are and how it works and what the success of it has been and with that, I'll give you a short briefing. What is inclusionary zoning, it refers to a range of local policies that tap the economic gains from rising real estate values to create affordable housing, and inclusionary zone program might cause the developer to sell or rent out 10 and maybe up to 30% of new residential units that they build to lower income residents, there are more than 800 inclusionary zoning programs around the country with their own requirements, and market conditions are important in determining the success of inclusionary zoning

programs, in general those programs work well when the housing market is strong and less so when it is weaker, local policy makers must have the flexibility and the market awareness to adjust programs as conditions change to these programs to remain effective and what this really argues for is maximum flexibility and in order to allow for and achieve the best outcome for housing affordability, local communities should be given maximum flexibility in how to design and implement IZ programs, and IZ programs might be the best resource to provide assistance in helping communities get it right.

**Mike Akerlow:** I think you can read a lot of different studies where inclusionary zoning has worked or hasn't worked, where it's created a poverty or resolved poverty or helped address poverty, I think there's more to exploring this issues, my question is, is the state taking the lead on this and does that really apply to all communities, SLC needs, Utah county needs and up north, those needs may be different in rural community or a community down south, so does a sweeping inclusionary zoning policy for the whole state really make sense when the needs for individual cities are different.

**Wilf Sommerkorn:** I agree with Mike, it's been my experience and what I've found that these things really need fine tuning at almost the individual community level because the conditions can be quite different from community to community and that'll determine whether the program can succeed or not.

**Senator Anderegg:** You're right, the nuance is each individual city that needs to tailor it to fit their specific needs and yet, if it's too broad and say, everyone needs to take care of themselves you'll see the vast majority not do anything, so how do you balance to have them get something done and tailored to something specific to their needs is a balance we're really trying to strike here.

**Jeff Jones:** Working with accounting kind of gives me some insight in regards to how inclusionary zoning works, it is nuanced from the perspective and many times land is not zoned for development and the inclusionary standard is part of the development and provides the guard rails for negotiation through development agreement or some other zoning entitlement action in order to move forward. It's really for the developers to come into the market and move through that process, I know in our market we have over 1,000 deed restricted units, we obviously need more and need to speed up how we do that and need to find ways to get into the lower targeted Ami areas.

**Senator Anderegg:** Thank you Will for your presentation and we have one last item with Christina Oliver, the time is yours.

**Christina Oliver:** I was asked to give you an update regarding the Emergency rental assistance fund that we are running through the dept. of workforce services as well as the housing fund that's going to be coming here in the next few months, so just an update that the state as you're aware authorized as a whole various agencies throughout the state, we're authorized over 200 million dollars to provide in emergency rental assistance which includes a variety of things, such as legal fees to utilities, back dates rent as well as perspective rent, that was a March 2021 initiated program and as of today we have collectively as a state paid out over 33 million dollars and have paid over 7,000 applications as a state.

We're on track to spend those funds in the appropriate manner and there will be a second round of rental assistance and the Governor will direct us as to if those funds will need to be utilized.

**Senator Anderegg:** Great, thank you for the update and seeing no further questions, or other business from the commission, we will wrap up and the next commission meeting will be held again in person with the option of joining via zoom and with no further questions from the commission, I'll entertain a final motion.

**Dave Damschen:** Motion to adjourn at 4:00pm.

- **Next Commission meeting dates will follow: - Tuesday's from 2:00pm-4:00pm**

Aug 10, 2021

Aug 24, 2021

Sept 14, 2021

Sept 28, 2021